ANNUAL REPORT 2010

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CHINA PRIVATE EQUITY
INVESTMENT HOLDINGS LIMITED
福泰中國投資控股有限公司
(Incorporated in the British Virgin Islands with limited liability)

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泰卦《易經》第十一卦　地天泰　上坤下乾

「泰，小往大來，吉亨。」

釋：泰卦，小的去往，大的來到，吉祥，亨通。

Tai： [I-Ching] The small departs, The great approaches.
Good fortune. Success.

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Company Information

Directors	Mr. Patrick Macdougall – *Non-executive Chairman* Mr. Chau Vinh Heng – *Non-executive Vice Chairman* Mr. Duncan Chui Tak Keung – *Executive Director and Chief Executive Officer* Mr. Wong Yiu Kit – *Executive Director and Chief Financial Officer* Mr. John Croft – *Non-executive Director* Mr. Hanson Cheah – *Non-executive Director*
Registered Office	Romasco Place, Wickhams Cay 1 PO Box 3140 Road Town, Tortola British Virgin Islands VG1110
Nominated Advisor	Shore Capital and Corporate Limited Bond Street House 14 Clifford Street London W1S 4JU
Joint Brokers	Shore Capital Stockbrokers Limited The Atlantic Suite The Corn Exchange Fenwick Street Liverpool L2 7RB SVS Securities Plc 21 Wilson Street London EC2M 2SN
Auditors	Crowe Clark Whitehill LLP St Bride's House 10 Salisbury Square London EC4Y 8EH
Legal Advisers (as to English law)	Pinsent Masons LLP 30 Crown Place Earl Street London EC2A 4ES
Legal Advisers (as to Hong Kong law)	Pinsent Masons 50th Floor Central Plaza 18 Harbour Road Hong Kong
Legal Advisers (as to B.V.I. law)	Conyers Dill & Pearman Romasco Place, Wickhams Cay 1 PO Box 3140 Road Town, Tortola British Virgin Islands VG1110

Public Relations Consultants	First City (part of the Tavistock Group) (London Office) 8th Floor 131 Finsbury Pavement London EC2A 1NT (HK Office) 19th Floor Silver Fortune 1 Wellington Street, Central Hong Kong
Registrars	Computershare Investor Services (BVI) Limited Woodbourne Hall PO Box 3162 Road Town, Tortola British Virgin Islands
Registered Agent	Codan Trust Company (B.V.I.) Ltd. Romasco Place, Wickhams Cay 1 PO Box 3140 Road Town, Tortola British Virgin Islands VG1110
Website	www.cpe-invest.com

Chairman's Statement

I am delighted to have the opportunity to present my statement to you in connection with the consolidated Report and Accounts for China Private Equity Investment Holdings Limited ("the Company" or "CPE") for the year ended 31 December 2010.

To give shareholders a feel for China's rapidly developing private equity market, I asked my colleague Hanson Cheah to give us his thoughts on recent developments and likely trends in this area, and you can read his analysis on page 6. Obviously, a lot of what he talks about is taking place at the higher end of the market and the companies concerned are longer established and larger than CPE or our portfolio companies. Nevertheless, it confirms our belief that this is an exciting time to be involved in this sector, and that there are plenty of opportunities for CPE, which is well positioned with the right executive team to take advantage of the current situation in China. In particular, as the size of the new fund-raisings increases substantially, they flow more and more into buy-out funds, and companies in the start-up and small cap growth category are finding it more and more difficult to get funding. We believe that young technology companies will be an area of attractive returns because of the lack of competition and the skillsets needed by the investment professional to groom and grow such companies. We believe we possess the necessary skills and abilities.

Against this general background, I am pleased to report that your Company's consolidated net assets at 31 December 2010 increased to US$29.3 million (2009: US$27.4 million), with consolidated net asset value per share at that date rising in line to US$0.46 (2009: US$0.43, adjusted for the four for one bonus issue). The consolidated profit after tax for the year, at US$1.9 million (2009: US$2.5 million), reflected a smaller relative increase in fair value of our stake of 37% in Fortel Technology Holdings Limited ("Fortel") compared to 2009. As we reported in our Trading Update of 23rd May, the Board anticipates such fluctuations will even itself out as our portfolio mix continues to expand in line with the steady progress made over the course of the past 16 months.

It is also pleasing to be able to report that the early advances by the Company reflect our deliberate initial positioning within China's rapidly growing TMT sector, where many of the private equity investment successes of the past year have been achieved. Our investments in Fortel, a digital media and technology services company operating in mainland China, and in the online education group China iEducation, the latter completed towards the end of the reporting period, reflect our recognition of the growth potential in the country's booming online sector.

Following the year-end, CPE expanded its portfolio further through an investment in what the Board views as another key sector of China's still-developing economy – financial services. In signing an agreement to take a significant stake in Enfinium, a Hong Kong-based online financial broking and trading platform, CPE has now established a presence in a sector set to benefit from the Chinese Government objective of shifting the country towards a consumer-based economy. Disposable income is rising rapidly, and a continuing population shift into urban areas is foreseen in the Five Year Plan for 2011-2016, unveiled last March. The Board believes that CPE's early positioning in this emerging online sector offers the prospect of strong returns.

We completed a sale-back to Fortel of part of the Company's shareholding during April 2011. That sale valued Fortel at US$72 million, and raised US$3.8 million for CPE, which we will use to support investment in new opportunities. We still currently retain a 33.6% stake on Fortel, whose plans for a listing on the Hong Kong Stock Exchange later this year remain on course.

The Board remains confident that CPE will continue to benefit from the opportunities within China's TMT and financial services sectors. Following our recent China iEducation and Enfinium acquisitions, we look forward to further strengthening CPE's portfolio over the coming months.

Patrick Macdougall
Chairman of the Board

A Mr. Patrick Macdougall (Chairman)

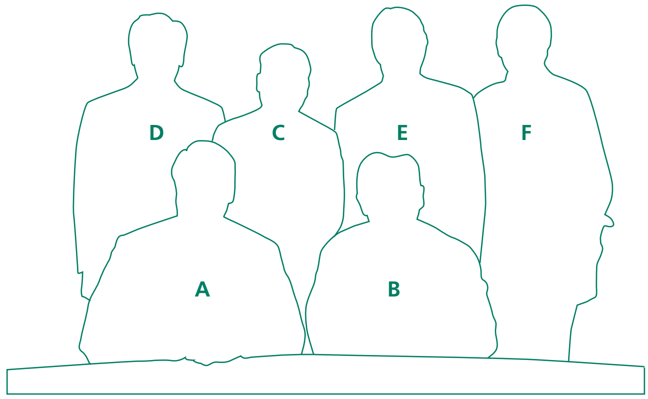
B Mr. Chau Vinh Heng (Vice Chairman)

C Mr. Duncan Chui Tak Keung (Executive Director and Chief Executive Officer)

D Mr. Wong Yiu Kit (Executive Director and Chief Financial Officer)

E Mr. John Croft (Non-executive Director)

F Mr. Hanson Cheah (Non-executive Director)



An Overview of the Private Equity Market in China

The past twelve months has been an exciting time for the Chinese private equity industry. Funds that were raised in the aftermath of the Internet bubble of 2000 are now starting to pay back their investors. Funds from the vintage years of 2002-2004 have seen several significant liquidation events both on the public markets as well as via various acquisitions. Many of the private equity funds in China have investors who have continued to invest in one generation of fund after another without anything as a promise for returns. These investors are now being rewarded for their patience and perseverance.

The most significant IPO in 2011 has been that of Renren. Renren started off as a what could be described as a Facebook "knock-off" or "look-alike" known as Xiaonei (which means inside the school campus). Xiaonei is one of the leading social networking sites with over 160 million members. Softbank, which is a significant investor, acquired the rights to the name of Renren and promptly rebranded the company. Renren raised over US$740 million in its IPO on the NYSE. The PE multiple of over 70 times for Renren at IPO was double that of Facebook. Youku (NYSE: YOKU) was listed on NYSE in late 2010 and raised over US$150 million. Youku is a video sharing site based in China much like YouTube. Its investors include Sutter Hill Ventures, Chengwei and Farallon. Chinese online bookstore Dangdang has also had a successful IPO and returned the original investment and more for investor DCM Doll Capital. Since popular international websites like Facebook, YouTube, Blogspot, Wikipedia and Twitter are all blocked in China, local copycats have emerged in recent years mimicking their business models while complying with the government regulations on self censorship of contents. These companies are now enjoying great success and emerging on the public market one by one. The New York Stock Exchange reported that over 20 Chinese companies have listed on the exchange in 2010 versus only 9 in 2009.

The near term prospects of the newly listed companies remain uncertain at this moment. Jiayuan, a Chinese dating website; NetQin, a mobile phone service provider; as well as Renren have all fallen below their IPO price after their debuts. But it is important to note that the private equity investors have all but recovered their capital in the recent run-up, lockups notwithstanding.

The second trend in China is the proliferation of Yuan denominated funds, fueled by the significant liquidity from local government and private fund sources, as well as the increase in red tape for foreign funds wishing to invest in Chinese companies. Local governments, in a bid to boost the creative industry in their jurisdictions, have been opening their coffers to fund technology start-ups, as well as providing incentives for fund managers to invest locally. Carlyle group has completed the second closing of their RMB fund with a target size of RMB 5 billion. Morgan Stanley has partnered with the Hangzhou Government to raise its first RMB fund with a target size of RMB 1.5 billion.

Many pundits have stated that in contrast to Silicon Valley Chinese technology companies do not have a culture of growth through acquisitions. This trend is also changing. Tencent has recently announced the purchase of 11 million shares of online travel site eLong. Tencent is a leader in both gaming and social networking (and a competitor of Renren) and this will be their first foray into the travel industry. It is conceivable that the newly minted public technology companies in China helped by the significant cash raised during their public listings, will aggressively expand their service offering and revenues through acquisitions.

The new funds have also fueled a flight of human capital. The talent pool in the private equity industry has always been limited and the recent growth in funds has made the shortage worse. Many senior managers and even founders have left private equity management companies to start their own funds. Kleiner Perkins Caufield and Byers (KPCB), the preeminent name in venture capital, has lost a majority of its China partners to other new funds.

Biographies of Directors

Mr. Patrick Macdougall *(aged 71), Non-Executive Chairman*
An Oxford graduate, Mr. Macdougall qualified as both a barrister and a chartered accountant. He has considerable experience in the financial services arena. Following corporate finance experience with Rothschilds, he moved into general management and was chief executive of two London merchant banks, one in the 1970s and one in the 1980s and 1990s. In between these two appointments, he spent 8 years in Hong Kong as an executive director of Jardine Matheson, where he was in charge of the financial services portfolio as well as operations in the US, Australia and the Middle East. He was for 2 years a group executive director of Standard Chartered plc. After retiring from the City in 1998, he spent 6 years as chairman of Arlington plc, one of the largest developers and operators of business parks in Europe.

Mr. Chau Vinh Heng (Jacky) *(aged 59), Non-Executive Vice Chairman*
Mr. Chau has almost 30 years experience in financial services in Greater China, specializing in listed securities dealings, corporate finance, and investment advisory. Mr. Chau held senior management positions with a number of regional institutions such as Chintung Group, Chung Nam Securities and Commodities, Chelac Investment Company Limited, and C.K. Grandfield (Holdings) Limited. Mr. Chau graduated from the University of Toronto with a Bachelor's degree in Commerce.

Mr. Duncan Chui Tak Keung *(aged 42), Executive Director and Chief Executive Officer*
Mr. Chui has over 19 years of management consulting and venture capital investment experience in Greater China. He is the founder of Fortel Group and an executive director of Capital VC Limited (formerly known as "Sino Katalytics Investment Corporation"), a Hong Kong listed investment company. Prior to that he worked for Andersen Consulting (Accenture) and Transpac Capital (mainly responsible for fast growing technology companies and corporate restructuring). Mr. Chui has a BSc degree and a MEng degree from Cornell University.

Mr. Ernest Wong Yiu Kit *(aged 43), Executive Director and Chief Financial Officer*
Mr. Wong has approximately 20 years of experience in venture capital, corporate finance, business development, legal, IT, financial and general management. Prior to joining CPE, he was CFO of Hong Kong Applied Science and Technology Research Institute Company Limited, VP of Vertex Management and held management positions in Guangdong Investment Ltd, Transpac Capital and Andersen Consulting. He has a BBA degree (University of Hong Kong) and a MSc degree in investment management (Hong Kong University of Science & Technology) and a MSc degree in Electronic Engineering (Chinese University of Hong Kong). Mr. Wong's professional qualifications include: FCCA, FCPA, CFA, ACA and MHKSI.

Mr. John Croft *(aged 58), Non-Executive Director*
Mr. Croft is an experienced entrepreneur and business leader with a strong track record in new business start-ups. He is currently Chairman of online retailer MyTuxedo.co.uk and was formerly Chairman of e-pay Asia Limited, one of the largest e-payment companies in South East Asia. Previously he was Chairman and Chief Executive of Streets Online Ltd., an online retailer where he led the trade sale to Kingfisher plc in 2000, and held senior director level position in Racal Electronics and general management position in NCR Corporation.

Mr. Hanson Cheah *(aged 45), Non-Executive Director*
Mr. Cheah has over 20 years of technology management and venture capital investment experience in Asia. Mr. Cheah was a co-founder of AsiaTech Ventures in Hong Kong managing approximately US$180 million in technology investments since 1998, working closely with corporate investors such as Sun Microsystems, NTT DoCoMo, and Fujitsu. Prior to founding AsiaTech, Mr. Cheah was the Indonesian Country Manager and Regional Portfolio Manager for private equity firm Transpac Capital and was the chairman of the Venture Capital Association in Hong Kong in 2004-2005. He holds a Bachelor's degree and a Master's degree in Mechanical Engineering (Massachusetts Institute of Technology, USA) and a Certificate of Management Science (Stanford University, USA).

Directors' Report

The board ("the Board") of directors ("the Directors") are pleased to present their report on the affairs of the Company and its subsidiaries (collectively referred to as "the Group"), together with the audited financial statements for the year ended 31 December 2010.

PRINCIPAL ACTIVITIES

The Company was incorporated with limited liability under the laws of the British Virgin Islands ("BVI"). The Company's shares were admitted to the AIM Market ("AIM") of the London Stock Exchange on 19 October 2009.

The principal activity of the Company is investment holding. The Group is principally engaged in investing primarily in unlisted assets in the areas of telecommunications, media and technology ("TMT") as well as financial services or listed assets driven by corporate events such as mergers and acquisitions, pre-IPO, or re-structuring of state-owned assets.

RESULTS AND DIVIDENDS

The profit on ordinary activities of the Group for the year ended 31 December 2010 after taxation was US$1.89 million (2009: US$2.53 million).

The Directors are not recommending the payment of a dividend for the year.

REVIEW OF THE BUSINESS

2010 was a year of stabilization after the strong rebound in the Group's investment markets in 2009.

Fortel Technology Holdings Limited ("Fortel"), a technology and digital media services provider operating in the People's Republic of China, remained the main asset and an anchor investment of the Company during the year. The Company held an approximate 37% equity interest in Fortel. Fortel is now actively seeking its own independent listing on the Hong Kong Stock Exchange during the second half of 2011.

In addition to Fortel, during the year the Company entered into an agreement to acquire a 40% interest in Beijing based China iEducation Group for a total consideration of US$2 million. The management team of China iEducation Group have worked in close partnership with the Ministry of Education for the past 10 years. During this period they have developed and distributed digital education content to elementary and middle schools, and built up a network of approximately 30 million student users and 3 million teachers, within a market that receives substantial annual funding from the Chinese Government to upgrade education resources.

The Group has also reviewed and considered other investment opportunities and plans to make further investments in due course. It is our intention not only to invest in businesses which operate solely in China but also those operating outside China which seek to leverage off our experience to enter the Chinese market and/or to develop strategic partnerships involving Chinese business entities.

FUTURE DEVELOPMENTS

The 12th five-year plan of the China government will offer investors great opportunities. CPE plans to identify investment opportunities across a number of sectors, including TMT, where China is growing as one of the world's investment markets.

In a bid to broaden the Company's exposure to online opportunities and provide direct access to the global network of private equity investors, the Company has made a strategic investment in Hong Kong-based Enfinium International Holdings Limited ("Enfinium"), a leading online financial services business, which provides its clients with a global online trading platform that allows them to trade stocks on most of the world's stock exchanges, together with forex, futures and other transactions. This consolidates the Company's core strategic presence in the online, TMT and financial services sectors. The details of the investment are set out in the "Post Balance Sheet Events" section below. In order to broaden the investment opportunities further, the Company's investing policy was amended. The details of the investment policy are set out in the "Amendments to the Company's Investing Policy" Section below.

AMENDMENTS TO THE COMPANY'S INVESTING POLICY

At an Extraordinary General Meeting held on 12 April 2011, it was resolved that the Company's investing policy be changed as follows:

The Company's investing strategy is to provide shareholders with an attractive return on their investment through capital appreciation, by investing in businesses which:

i) operate solely in China;

ii) operate in other countries as well as China but have significant exposure to the Chinese market; or

iii) operate outside China and are seeking to leverage off CPE's experience and/or portfolio companies to enter the Chinese market and/or to develop strategic partnerships involving Chinese business entities.

In each case the Directors will seek to invest in businesses which they believe are likely to achieve a trade sale or an IPO, predominantly within a medium to long term time horizon.

POST BALANCE SHEET EVENTS

The Company has entered into an Agreement with Furuya Consultants Limited ("FCL") to acquire a 30% interest in Enfinium for a total consideration of US$6 million. The Company has financed the acquisition by issuing 10 million new ordinary shares of no par value, representing 13.6% of the Company's enlarged issued share capital of 73,784,645 shares.

In April 2011 CPE completed a sale-back to Fortel of 5,503 shares, representing 3.5% of Fortel's share capital. The sale valued Fortel at US$72 million, and raised US$3.8 million for the Company.

DIRECTORS AND DIRECTORS' INTERESTS

The Directors who served during the year and up to the date of this report were as follows:

Mr. Patrick Macdougall – *Non-executive Chairman*
Mr. Chau Vinh Heng – *Non-executive Vice Chairman*
Mr. Duncan Chui Tak Keung – *Executive Director and Chief Executive Officer*
Mr. Wong Yiu Kit – *Executive Director and Chief Financial Officer*
Mr. John Croft – *Non-executive Director*
Mr. Hanson Cheah – *Non-executive Director*

The directors retiring by rotation are Mr. Chau Vinh Heng and Mr. Wong Yiu Kit, who, being eligible, offer themselves for re-election at the Company's forthcoming annual general meeting.

With the exception of the related party transactions stated in Note 21 to the Financial Statements, there were no other significant contracts, other than Executive Directors' contracts of service, in which any Director had a material interest.

The Directors who held office as at 31 December 2010 had no beneficial interests in any of the shares of the Company and Group companies other than as follows:

	Number of ordinary shares of no par value as at 31 December			
	2010		2009	
	Direct	Indirect	Direct	Indirect
Mr. Duncan Chui Tak Keung ("Mr. Chui")	**–**	**20,301,890^**	–	4,060,378^
Mr. Patrick Macdougall ("Mr. Macdougall")	**294,120**	**300,000^^**	58,824	60,000^^
Mr. John Croft	**70,590**	**–**	14,118	–
Mr. Chau Vinh Heng ("Mr. Chau")	**11,114,180**	**–**	2,222,836	–

^ As at 31 December 2010 the ordinary shares were held by Mr. Chui, an Executive Director and the Chief Executive Officer of the Company, through Imperia Capital Investment Holdings Limited, of which Mr. Chui is a director and 25% shareholder.

^^ Mr. Macdougall is a trustee, but not a beneficiary, of family trust registered in the name of Macdougall Nominees Limited, which held 300,000 shares as at 31 December 2010.

	Number of options held as at 31 December		Exercise price as at 31 December	
	2010	2009	2010	2009
Mr. Chau	**4,355,750**	871,150	**US$0.36**	US$1.8

(a) The expiry date of these share options is 16 October 2012.

(b) There is no vesting condition for these share options.

SUBSTANTIAL SHAREHOLDINGS IN THE COMPANY

As of the date of this report, the following were the holders of 3% or more of the issued ordinary share capital of the Company as it was constituted on that date according to the register kept:

	Number of ordinary shares of no par	Percentage
Imperia Capital Investment Holdings Limited #	20,301,890	27.5%
Red Deer Corporation	7,300,000	9.89%
Mr. Chau Vinh Heng	6,114,180	8.3%
Max Era Properties Limited	6,000,000	8.1%
Long Term Aim Holdings Limited	4,818,515	6.5%
Mr. Tang Yue Nien, Martin	4,818,515	6.5%

Mr. Duncan Chui is a director and 25% shareholder of Imperia Capital Investment Holdings Limited.

The Directors have not been made aware of any other beneficial shareholdings of 3% or more of the issued share capital of the Company as of the date of this report.

FINANCIAL INSTRUMENTS

The Group's use of financial instruments is described in Note 19.

FINANCIAL RISK MANAGEMENT OBJECTIVES

Management has adopted certain policies on financial risk management with the objective of ensuring that appropriate funding strategies are adopted to meet the Group's short-term and long-term funding requirements, taking into consideration the cost of funding, gearing levels and cash flow projections. The polices are also set to ensure that appropriate strategies are adopted to manage related interest and currency risk funding; and to ensure that credit risks on receivables are properly managed. In addition, Note 19 to the financial statements include the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and its exposures to credit risk, interest rate risk, liquidity risk, price risk and currency risk.

POLICY AND PRACTICE ON PAYMENT OF CREDITORS

The Group seeks to maintain good terms with all of its trading partners. In particular, it is the Group's policy to agree appropriate terms and conditions for its transactions with suppliers and, provided the supplier has complied with its obligations, to abide by the terms of payment agreed. Trade creditor days of the Group for the year ended 31 December 2010 were 37 days (2009: 11.5 days)

SHARE CAPITAL

The Company has a single class of shares which is divided into ordinary shares of no par value.

At 31 December 2010, the number of ordinary shares in issue was 63,784,645. Details of movements in the issued share capital during the year are set out in Note 18 to the financial statements.

DIRECTORS' INDEMNITY

The Company's Articles of Association provide, subject to the provisions of BVI legislation, an indemnity for directors and officers of the Company in respect of liabilities they may incur in the discharge of their duties or in the exercise of their powers, including any liabilities relating to the defence of any proceedings brought against them which relate to anything done or omitted, or alleged to have been done or omitted, by them as officers or employees of the Company.

Appropriate directors' and officers' liability insurance cover is in place in respect of all of the Directors.

EMPLOYEE INFORMATION

As at 31 December 2010, the Group had 3 (2009: 3) employees excluding Directors. They perform clerical, research, business development, and administrative functions for the Group.

It is the Group's policy that the selection of employees for recruitment, training, development and promotion should be determined solely on their skills, abilities and other requirements which are relevant to the job, regardless of their sex, race, religion or disability. The Group recognises the value of its employees and seeks to create an energetic, dynamic and creative environment in which to work.

CHARITABLE DONATIONS

The Group has not made any charitable donation during the year (2009: Nil).

ANNUAL GENERAL MEETING

The Company's forthcoming annual general meeting ("Annual General Meeting") will be held on Friday, 15 July 2011 at 2:00 p.m. (Hong Kong time) at Unit 1903, 19/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong. The notice of the Annual General Meeting is enclosed with the financial statements.

GOING CONCERN

The Group has considerable financial resources at its disposal. Hence, the Directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook. The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

DIRECTORS' STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

The Directors have confirmed that, as far as they are aware, there is no relevant audit information of which the auditors are unaware. Each of the Directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

AUDITORS

A resolution to re-appoint Crowe Clark Whitehill LLP as the Company's auditors will be proposed at the Annual General Meeting.

On behalf of the Board

Duncan Chui Tak Keung
Executive Director and Chief Executive Officer

Date: 7 June 2011

Corporate Governance Statement

THE BOARD

The Board is committed to raising the standard of corporate governance within the Group in order to enhance the transparency in disclosure of material information. The Board reviews its corporate governance practices from time to time in order to meet the rising expectations of shareholders and comply with increasingly stringent regulatory requirements, and to fulfill its commitment to excellence in corporate governance.

COMPOSITION OF THE BOARD

The Board consists of two executive and four non-executive Directors. The non-executive Directors' role is to bring independent judgement to Board discussions and decisions.

The Board is composed as follows:

Mr. Patrick Macdougall – *Non-executive Chairman*
Mr. Chau Vinh Heng – *Non-executive Vice Chairman*
Mr. Duncan Chui Tak Keung – *Executive Director and Chief Executive Officer*
Mr. Wong Yiu Kit – *Executive Director and Chief Financial Officer*
Mr. John Croft – *Non-executive Director*
Mr. Hanson Cheah – *Non-executive Director*

The Board meets regularly throughout the year. The Board reviews financial performance, regulatory compliance and will consider any matters of significance to the Group including corporate activity.

INTERNAL CONTROL

The Board is responsible for overseeing the Group's system of internal control. To facilitate the effectiveness and efficiency of operations and to ensure compliance with relevant laws and regulations, the Group emphasizes on the importance of a sound internal control system which is also indispensable for mitigating the Group's risk exposure. The Group's system of internal control is designed to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage and eliminate risks of failure in operational systems and fulfillment of the business objectives.

The internal control system is reviewed on an ongoing basis by the Board in order to make it practical and effective in providing reasonable assurance in relation to protection of material assets and identification of business risks.

The Group is committed to identifying, monitoring and managing risks associated with its business activities and has implemented a practical and effective control system which includes a defined management structure with proper approval process, a sound cash management system and periodic review of the Group's performance by the audit committee and the Board.

AUDIT COMMITTEE

The audit committee comprises Mr. John Croft (Chair), Mr. Patrick Macdougall and Mr. Hanson Cheah. The audit committee, inter alia, determines and examines matters relating to the financial affairs of the Group including the terms of engagement of the Group's auditor and, in consultation with the auditor, the scope of the audit. It receives and reviews reports from management and the Group's auditor relating to the half year and annual accounts and the accounting and the internal control systems in use throughout the Group, in addition to ensuring that the Group complies with the AIM Rules for companies. The audit committee met two times during the year and will meet at least twice a year in the future.

REMUNERATION COMMITTEE

The remuneration committee, comprising Mr. Patrick Macdougall (Chair), Mr. John Croft and Mr. Hanson Cheah, reviews the performance of the executive directors and determine their remuneration and the basis of their service agreements with due regard to the interests of the shareholders. The remuneration committee also determines the payment of any bonuses to Directors and any grant of options to Directors and employees, under any share option scheme adopted by the Group in due course.

The remuneration committee reviews and makes recommendations in respect of the Directors' remuneration and benefits packages, including staff incentivisation and the terms of their appointment. The remuneration committee also makes recommendations to the Board concerning the allocation of incentivisation payments to employees and the grant of options to directors and employees.

INVESTMENT COMMITTEE

The investment committee comprises Mr. Patrick Macdougall (Chair), Mr. Hanson Cheah and Mr. Duncan Chui Tak Keung. The investment committee decides whether or not to proceed with any investment opportunity. It will also be responsible for reviewing existing investments and deciding on divestment issues. The investment committee also needs to approve any investment in a company where any Director is already interested, subject to provisions of the AIM Rules for Companies and applicable law and regulations.

RELATIONS WITH SHAREHOLDERS

The Group values the views of its shareholders and recognizes their interest in the Group's strategy and performance. The investors are encouraged to participate in annual general meetings and the Board will present a review of the results and comments on current business activity.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the financial statements for each financial period in accordance with applicable law and regulations. These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and are presented in accordance with AIM requirements. The financial statements are required by applicable law and regulations and by IFRSs to present fairly the financial position and performance of the Company and the Group. In preparing these financial statements the Directors should:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume the Company and the Group will continue in business.

The Directors are responsible for keeping proper accounting records which are sufficient to show and explain its transactions and are such as to disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements prepared by the Company comply with the requirements of applicable law and regulations. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Report of the Independent Auditor

Independent auditor's report to the members of China Private Equity Investment Holdings Limited
For the year ended 31 December 2010

We have audited the financial statements of China Private Equity Investment Holdings Limited for the year ended 31 December 2010, which comprise the consolidated and company statement of financial position, the consolidated and company statement of comprehensive income, the consolidated and company statement of changes in equity and consolidated and company statement of cash flows for the year then ended, and related notes. These financial statements have been prepared under the group's accounting policies set out therein.

The financial reporting framework that has been applied in their preparation is International Financial Reporting Standards (IFRSs) as issued by the IASB.

This report is made solely to the company's members as a body. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by English law, we do not accept or assume responsibility to anyone other than the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

We read all the information in the Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION

In our opinion:

- the financial statements give a true and fair view, in of the state of the company and group's affairs as at 31 December 2010, and of their results for the year then ended; and

- the financial statements have been properly prepared in accordance with IFRSs as issued by the IASB.

Crowe Clark Whitehill LLP
Statutory Auditor
St Bride's House
10 Salisbury Square
London ECAY 8EH

7 June 2011

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010

	Notes	2010 US$'000	2009 US$'000
Gross portfolio return	3	**2,869**	4,813
Administrative expenses		**(1,056)**	(2,422)
Operating profit	5	**1,813**	2,391
Finance income	6	**140**	141
Profit before taxation		**1,953**	2,532
Taxation	9	**–**	–
Profit for the year		**1,953**	2,532
Other comprehensive expense			
Currency translation differences		**(68)**	–
Total comprehensive income for the year		**1,885**	2,532
Earnings per share			
Basic	22	**3.06 cents**	4.12 cents
Diluted	22	**2.98 cents**	4.11 cents

The results reflected above relate to continuing operations.

The accompanying notes on pages 23 to 44 are an integral part of these financial statements.

Company Statement of Comprehensive Income

For the year ended 31 December 2010

	Notes	2010 US$'000	2009 US$'000
Gross portfolio return	3	**–**	–
Administrative expenses		**(402)**	(1,959)
Operating loss	5	**(402)**	(1,959)
Finance income	6	**139**	131
Other income	7	**–**	821
Loss before taxation		**(263)**	(1,007)
Taxation	9	**–**	–
Loss for the year		**(263)**	(1,007)
Other comprehensive expense			
Currency translation differences		**(58)**	–
Total comprehensive loss for the year		**(321)**	(1,007)

The results reflected above relate to continuing operations.

The accompanying notes on pages 23 to 44 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2010

	Share capital US$'000	Share based payment reserve US$'000	Foreign translation reserve US$'000	Retained earning/ (accumulated losses) US$'000	Total US$'000
Group balance at 1 January 2009	20,347	–	–	(480)	19,867
Issue of shares	5,000	–	–	–	5,000
Issue costs	(874)	–	–	–	(874)
Exchange difference arising from share issue	99	–	–	–	99
Issue of share options	–	799	–	–	799
Profit for the year	–	–	–	2,532	2,532
Group balance at 31 December 2009 and 1 January 2010	**24,572**	**799**	**–**	**2,052**	**27,423**
Profit for the year	**–**	**–**	**–**	**1,953**	**1,953**
Other comprehensive expense					
Currency translation differences	**–**	**–**	**(68)**	**–**	**(68)**
Total comprehensive income for the year	**–**	**–**	**(68)**	**1,953**	**1,885**
Group balance at 31 December 2010	**24,572**	**799**	**(68)**	**4,005**	**29,308**

Company Statement of Changes in Equity

For the year ended 31 December 2010

	Share capital US$'000	Share based payment reserve US$'000	Foreign translation reserve US$'000	Accumulated losses US$'000	Total US$'000
Company balance at 1 January 2009	20,347	–	–	(480)	19,867
Issue of shares	5,000	–	–	–	5,000
Issue costs	(874)	–	–	–	(874)
Exchange difference arising from share issue	99	–	–	–	99
Issue of share options	–	799	–	–	799
Loss for the year	–	–	–	(1,007)	(1,007)
Company balance at 31 December 2009 and at 1 January 2010	**24,572**	**799**	**–**	**(1,487)**	**23,884**
Loss for the year	**–**	**–**	**–**	**(263)**	**(263)**
Other comprehensive expense					
Exchange differences arising on translation of foreign operation	**–**	**–**	**(58)**	**–**	**(58)**
Total comprehensive expense for the year	**–**	**–**	**(58)**	**(263)**	**(321)**
Company balance at 31 December 2010	**24,572**	**799**	**(58)**	**(1,750)**	**23,563**

The following describes the nature and purpose of each reserve within owners' equity.

Share capital	Amount subscribed for share capital at no par value
Share based payment reserve	The share based payment reserve represents amounts recognised directly in the statement of comprehensive income, in the previous and current periods, relating to share based payment transactions granted as options and under the Group's share option scheme.
Foreign translation reserve	Foreign translation reserve comprises foreign exchange differences arising from the translation of the financial statements of the Company and its subsidiaries
Retained earnings/ (accumulated loss)	Represents the cumulative net gains and losses recognised in the income statement

The accompanying notes on pages 23 to 44 are an integral part of these financial statements.

Consolidated Statement of Financial Position

As at 31 December 2010

	Notes	2010 US$'000	2009 US$'000
Non-current assets			
Fixtures, fittings and equipment	10.1	**8**	1
Investment at fair value through profit or loss	11	**28,718**	23,911
Deposit	12	**8**	8
Total non-current assets		**28,734**	23,920
Current assets			
Loans and other receivables	14.1	**45**	1,111
Quoted financial assets at fair value through profit or loss	15	**–**	860
Cash and cash equivalents		**851**	1,717
Total current assets		**896**	3,688
Total assets		**29,630**	27,608
Current liabilities			
Trade and other payables	16.1	**308**	176
Shareholder's loan	17	**14**	9
Total liabilities		**322**	185
Net current assets		**574**	3,503
Net assets		**29,308**	27,423
Equity and reserves			
Share capital	18	**24,572**	24,572
Share based payment reserve		**799**	799
Foreign translation reserve		**(68)**	–
Retained earnings		**4,005**	2,052
Total equity and reserves attributable to owners of the parent		**29,308**	27,423

The financial statements were approved by the Board of Directors and authorised for issue on 7 June 2011 and signed on its behalf by:

Duncan Chui Tak Keung
Executive Director & Chief Executive Officer

The accompanying notes on pages 23 to 44 are an integral part of these financial statements.

Company Statement of Financial Position

As at 31 December 2010

	Notes	2010 US$'000	2009 US$'000
Non-current assets			
Investment in subsidiaries	13	**21,434**	21,189
Investment at fair value through profit or loss	11	**2,000**	–
Fixtures, fittings and equipment	10.2	**8**	1
Total non-current assets		**23,442**	21,190
Current assets			
Loans and other receivables	14.2	**45**	1,107
Cash and cash equivalents		**147**	1,691
Total current assets		**192**	2,798
Total assets		**23,634**	23,988
Current liabilities			
Trade and other payables	16.2	**57**	95
Shareholder's loan	17	**14**	9
Total liabilities		**71**	104
Net current assets		**121**	2,694
Net assets		**23,563**	23,884
Equity and reserves			
Share capital	18	**24,572**	24,572
Share based payment reserve		**799**	799
Foreign translation reserve		**(58)**	–
Accumulated losses		**(1,750)**	(1,487)
Total equity and reserves		**23,563**	23,884

The financial statements were approved by the Board of Directors and authorised for issue on 7 June 2011 and signed on its behalf by:

Duncan Chui Tak Keung
Executive Director & Chief Executive Officer

The accompanying notes on pages 23 to 44 are an integral part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2010

	2010 US$'000	2009 US$'000
Cash generated from operating activities		
Profit before taxation	**1,953**	2,532
Adjustments for:		
Depreciation	**1**	1
Financing income	**(142)**	(131)
Loss/(gain) on disposal of quoted securities	**2**	(10)
Gross portfolio return	**(2,869)**	(4,813)
Share option costs	**–**	799
(Increase)/decrease in receivables	**(14)**	533
Increase/(decrease) in payables	**133**	(300)
Net cash used in operating activities	**(936)**	(1,389)
Cash flows from investing activities		
Acquisition of property, plant and equipment	**(7)**	–
Finance income	**142**	131
Sale proceeds/(purchase) of financial assets	**179**	(850)
Realised quoted financial assets at fair value through Profit or loss	**679**	–
Loans granted	**–**	(1,095)
Purchase of convertible bonds	**(1,502)**	–
Proceeds from repayment of loan granted	**578**	818
Net cash generated from/(used in) investing activities	**69**	(996)
Cash flows from financing activities		
Net proceeds from issue of shares	**–**	4,225
(Repayment of)/loan from shareholders	**5**	(256)
Net cash generated from financing activities	**5**	3,969
Net (decrease)/increase in cash and cash equivalents	**(862)**	1,584
Cash and cash equivalent at the beginning of the year	**1,717**	133
Effect of foreign exchange	**(4)**	–
Cash and cash equivalent at the end of the year	**851**	1,717

The accompanying notes on pages 23 to 44 are an integral part of these financial statements.

Company Cash Flow Statement

For the year ended 31 December 2010

	2010 US$'000	2009 US$'000
Cash generated from operating activities		
Loss before taxation	**(263)**	(1,007)
Adjustments for:		
Depreciation	**1**	1
Finance income	**(139)**	(131)
Share option costs	**–**	799
(Increase)/decrease in other receivables	**(12)**	521
Decrease in trade and other payables	**(38)**	(382)
Net cash used in operating activities	**(451)**	(199)
Cash flows from investing activities		
Acquisition of property, plant and equipment	**(7)**	–
Advances to subsidiaries	**(300)**	(2,066)
Finance income	**139**	131
Loans granted	**–**	(1,095)
Purchase of convertible bonds	**(1,502)**	–
Proceeds from repayment of loan granted	**575**	818
Net cash used in investing activities	**(1,095)**	(2,212)
Cash flows from financing activities		
Net proceeds from issue of shares	**–**	4,225
Repayment of loan from shareholders	**5**	(256)
Net cash generated from financing activities	**5**	3,969
Net (decrease)/increase in cash and cash equivalents	**(1,541)**	1,558
Cash and cash equivalent at the beginning of the year	**1,691**	133
Effect of foreign exchange	**(3)**	–
Cash and cash equivalent at the end of the year	**147**	1,691

The accompanying notes on pages 23 to 44 are an integral part of these financial statements.

Notes to the Financial Statements

For the year ended 31 December 2010

1. GENERAL INFORMATION

The Company is a limited company incorporated in the British Virgin Islands ("BVI") under the BVI Business Companies Act 2004 on 18 January 2008. The address of the registered office is Romasco Place, Wickhams Cay 1, PO Box 3140, Road Town, Tortola, British Virgin Islands VG1110 and its principal place of business is Unit 1903, 19/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong. The Company was set up with an intention to position itself to be a Chinese and Asian focused AIM listed private equity investment holding group. The Company will seek to identify suitable private equity investment opportunities in China.

The Company is listed on AIM of the London Stock Exchange (code: CPEH).

2. ACCOUNTING POLICIES

a) Basis of Preparation

The principal accounting policies adopted in the preparation of the financial statements are set out below.

The Company's and the Group's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs and IFRIC interpretations) as issued by the IASB. The financial statements have been prepared under the historical cost convention, as modified by revaluation of financial assets and financial liabilities at fair value through the income statement.

The accounting policies adopted by the Company and the Group are consistent with those of the previous financial year except as follows:

The Company and Group have adopted the following new and amended IFRS and IFRIC interpretations as of 1 January 2010.

Title	**Issued**	**Effective Date**	
IFRS Improvements re IFRS 5 (see detail below)	May 2008	Accounting periods beginning on or after	01/07/2009
IAS 27 Consolidated and Separate Financial Statements	Jan 2008	Accounting periods beginning on or after	01/07/2009
IFRS 3 Business Combinations	Jan 2008	Acquisitions in Accounting periods beginning on or after	01/07/2009
IAS 39 Financial Instruments: Recognition and Measurement (Amendment) – Eligible Hedged Items	Jul 2008	Accounting periods beginning on or after	01/07/2009
IFRIC 17 Distributions of Non-cash Assets to Owners	Nov 2008	Accounting periods beginning on or after	01/07/2009
IFRS 1 First- time Adoption of International Financial Reporting Standards (revised)	Nov 2008	Accounting periods beginning on or after	01/07/2009
IFRIC 18 Transfers of Assets from Customers	Jan 2009	Accounting periods beginning on or after	01/07/2009

Title	Issued	Effective Date	
Amendments to IFRS 2 Group Cash-settled Share-based Payment Transactions	Jun 2009	Accounting periods beginning on or after	01/01/2010
Improvements to IFRS (detail below)	Apr 2009	Accounting periods beginning on or after	01/01/2010
Amendments to IFRS 1 Additional Exemptions for First-time Adopters	Jul 2009	Accounting periods beginning on or after	01/01/2010

The following standards and interpretations have been issued but are not yet effective and have not been early adopted in these financial statements. The directors do not currently expect these to have any material impact on accounting policies or disclosures.

Title	Issued	Effective Date	
IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments	Nov 2009	Accounting periods beginning on or after	01/07/2010
IFRS 1 Amendment – Limited exemption from IFRS 7 Disclosures for first time adopters	Jan 2010	Accounting periods beginning on or after	01/07/2010
Annual Improvements to IFRS (detail below)	May 2010	Accounting periods beginning on or after	01/07/2010
IFRIC 14 (Amendment) Prepayments of a minimum funding requirement	Nov 2009	Accounting periods beginning on or after	01/01/2011
Revised IAS 24 Related Party Disclosures (Issued 4 November 2009)	Nov 2009	Accounting periods beginning on or after	01/01/2011
Annual Improvements to IFRS (detail below)	May 2010	Accounting periods beginning on or after	01/01/2011
IFRS 9 Financial Instruments	Nov 2009	Accounting periods beginning on or after	01/01/2013
Amendments to IFRS 7 Financial Instruments Disclosures	Oct 2010	Accounting periods beginning on or after	01/07/2011
IFRS 1 Amendments Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters	Jan 2011	Accounting periods beginning on or after	01/07/2011
IAS 12 Amendments to Deferred tax: Recovery of Underlying Assets	Jan 2011	Accounting periods beginning on or after	10/01/2012
IFRS 10 Consolidated Financial Statements	May 2011	Accounting periods beginning on or after	01/01/2013
IFRS 11 Joint Arrangements	May 2011	Accounting periods beginning on or after	01/01/2013
IFRS 12 Disclosure of Interests in other entities	May 2011	Accounting periods beginning on or after	01/01/2013
IFRS 13 Fair Value measurement	May 2011	Accounting periods beginning on or after	01/01/2013

b) **Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating activities. Investments that are held as part of the Group's investment portfolio are carried in the balance sheet at fair value even though the Group may have significant influence over those companies. This treatment is permitted by IAS 28 – Investment in Associates, which requires investment held by venture organisations to be excluded from its scope where those investments are designated, upon initial recognition, as at fair value through profit or loss and accounted for in accordance with IAS 39, with changes in fair value recognized in the statement of comprehensive income in the period of change. The Group has no interests in associates through which it carries on its business.

c) **Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the senior management and executive Board members. The senior management and executive Board members, who are responsible for allocating resources and assessing performance of the operating segments, have been identified as the senior management and executive Board members that makes strategic decisions. The Group is principally engaged in investment business, the directors consider there is only one business segment significant enough for disclosure.

d) **Revenue recognition**

Revenue is recognised when it is probable that the economic benefits will flow to the Company and when the revenue and costs, if applicable, can be measured reliably and on the following basis:

- Dividend income is recognised when the Company's right to receive payment is established.
- Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.
- Gross portfolio return is equivalent to "revenue" for the purposes of IAS 1. It represents the overall increase in net assets from the investment portfolio net of deal-related costs but excluding exchange movements.
- Other income comprised management recharges from the parent company to one of its subsidiaries, which are eliminated on consolidation.

e) **Fixtures, fittings and equipment and depreciation**

Fixtures, fittings and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of fixtures, fittings and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Repairs and maintenance are charged to the income statement during the year in which they are incurred.

Depreciation is provided to write off the cost less accumulated impairment losses of fixtures, fittings and equipment over their estimated useful lives from the date on which they become fully operational and after taking into account their estimated residual values, using the straight-line method, at the following rates per annum:

Fixtures, fittings and equipment	20%

f) **Impairment of non-financial assets**

At each balance sheet date, the Group reviews internal and external sources of information to determine whether its fixtures, fittings and equipment and investment in subsidiaries have suffered an impairment loss or impairment loss previously recognised no longer exists or may be reduced. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its fair value less costs to sell and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. cash-generating unit).

If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

A reversal of impairment loss is limited to the carrying amount of the asset or cash-generating unit that would have been determined had no impairment loss been recognised in prior years. Reversal of impairment loss is recognised as income immediately.

g) **Financial instruments**

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value.

Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Investments at fair value through profit or loss

Unquoted:

Classification

The Group classifies its unquoted investments (including convertible note) as financial assets at fair value through profit or loss. These financial assets are designated by the directors as at fair value through profit or loss at inception.

Financial assets designated as at fair value through profit or loss at inception are those that are managed as part of an investment portfolio and their performance evaluated on a fair value basis in accordance with the Group's Investment Strategy.

Recognition/derecognition
Regular-way purchases and sales of investments are recognised on the trade date – the date on which the Group commits to purchase or sell the investment.

A fair value through profit or loss asset is derecognised when the Group loses control over the contractual rights that comprise that asset. This occurs when rights are realised, expire or are surrendered and the rights to receive cash flows from the investments have expired or the Group has transferred substantially all risks and rewards of ownership. Realised gains and losses on fair value through profit or loss assets sold are calculated as the difference between the sales proceeds and cost. Fair value through profit or loss assets that are derecognised and corresponding receivables from the buyer for the payment are recognised as of the date the Group has transacted an unconditional disposal of the assets.

Measurement
Financial assets at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed through the profit or loss. Subsequent to initial recognition, all financial assets at fair value through profit or loss are measured at fair value in accordance with International Private Equity and Venture Capital Valuation ("IPEVCV") guidelines, as the Group's business is to invest in financial assets with a view to profiting from their total return in the form of capital growth and income. Gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss are presented in the period in which they arise and are presented within gross portfolio return.

Quoted:
The fair values of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices and is classified as current assets. Purchases and sales of quoted investments are recognised on the trade date where a contract of sale exists whose terms require delivery within a time frame determined by the relevant market.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are not held for trading. They are measured at amortised cost using the effective interest method, except where receivables are stated at cost less impairments loss. Amortised cost is calculated by taking into account any discount premium on acquisition, over the period to maturity. Gains and losses arising from derecognition, impairment or through the amortisation process are recognised in the income statement. The Group's loans and receivables comprised "loans and other receivables", "amount due from Fortel" and "cash and cash equivalents" in the statement of financial position.

Trade and other payables
Accounts and other payables are not interest bearing and are stated at their nominal value. The Group's trade and other payables include shareholders' loans.

Cash and cash equivalents
For the purpose of the cash flow statement, cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in value, net of bank overdrafts.

Impairment of financial assets
At each balance sheet date, the Group assesses whether there is objective evidence that financial assets are impaired. The impairment loss of financial assets carried at amortised cost is measured as the difference between the assets' carrying amount and the present value of estimated future cash flow discounted at the financial asset's original effective interest rate.

Financial liabilities

The Group's financial liabilities include other payables and accruals and amount due to related parties. All financial liabilities except for derivatives are recognised initially at their fair value and subsequently measured at amortised cost, using effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

Equity instruments

Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

h) Investment in subsidiaries

Investments in subsidiaries are stated at cost less provision for any impairment in value.

Foreign currency translation

– *Functional and presentation currency*

  Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("functional currency"), which is Hong Kong Dollar. The financial statements are presented in United States Dollars and rounded to the nearest thousand dollars, except when otherwise indicated.

  The financial statements have been translated into US$ at the exchange rate prevailing on 31 December 2010, being US$1 = HK$7.78.

– *Transactions and balances*

  Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

– *Group companies*

  The results and financial position of all the group entities, including the parent company, (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

  – assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

  – income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

  – all resulting exchange differences are recognised as a separate component of equity.

  No material reserve is expected as the HK Dollar is linked to the US Dollar.

i) **Provisions**

Provision is recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Expenditures for which a provision has been recognised are charged against the related provision in the year in which the expenditures are incurred. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount provided is the present value of the expenditures expected to be required to settle the obligation.

Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

j) **Taxation**

The charge for current income tax is based on the results for the period as adjusted for items that are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting profit nor taxable profit or loss, it is not accounted for.

The deferred tax liabilities and assets are measured at the tax rates that are expected to apply to the period when the asset is recovered or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, tax losses and credits can be utilised.

k) **Leasing**

Leases are classified as finance leases whenever the terms of the leases transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the term of the relevant lease.

l) **Employee benefits**

Salaries, annual bonuses, paid annual leave, leave passage and the costs of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Company. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Contributions to defined contribution retirement plans are recognised as expense in the income statement as incurred.

m) **Dividends**

Dividends payable are recorded in the financial statements in the period in which they are declared.

n) **Share based payments**

The Group has applied the requirements of IFRS 2 "Share Based Payments". The Group issues share options as an incentive to certain key management and staff (including directors). The fair value of options granted to directors, management personnel and employees under the Company's share option scheme is recognized as an expense with a corresponding credit to the share based payment reserve. The fair value is measured at grant date and spread over the period during which the awards vest. The fair value is measured using the Black Scholes Option pricing model.

The Group, on special occasions as determined by the directors, may issue options to key consultants, advisers and suppliers in payment or part payment for services or supplies provided to the Group. The fair value of options granted is recognised as an expense with a corresponding credit to the share based payment reserve. The fair value is measured at grant date and spread over the period during which the options vest. The fair value is measured using the Black Scholes Option pricing model.

The options issued by the Group are subject to both market-based and non-market based vesting conditions.

Non-market vesting conditions are not taken into account when estimating the fair value of awards as at grant date; such conditions are taken into account through adjusting the equity instruments that are expected to vest.

The proceeds received, net of any attributable transaction costs, are credited to share capital when options are converted into ordinary shares.

o) **Earnings per share**

The Group calculates both basic and diluted earnings per share in accordance with IAS 33 "Earnings per Share". Under IAS 33, basic earnings per share is computed using the weighted average number of shares outstanding during the period. Diluted earnings per share is computed using the weighted average number of shares during the period plus the period dilutive effect of options outstanding during the period.

p) **Share issue expenses**

Share issue expenses are written off against the share capital account arising on the issue of share capital.

q) **Critical accounting estimates and judgements**

Preparation of Financial Statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources.

In particular, significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the Financial Statements are in the following areas:

Tax provisions

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these measures is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made.

Measurement of share based payments

The estimation of share based payment costs requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The Group has made estimates as to the volatility of its own shares and the probable life of options granted. The model used by the Group is a Black Scholes Option pricing model. Any changes to the estimation of the volatility of its own shares and the probable life of options granted will lead to adjustment to the amount recognized in the share based payment reserve and the profit or loss recognized in the statements of comprehensive income.

Assessment of accounting treatment under IAS 28 – Investment in Associates

The Group has the exemption under IAS28 Investments in Associates whereby IAS 28's requirements do not apply to investments in associates held by venture capital organisations. This exemption is conditional on the investments being designated as at fair value through profit and loss or being classified as held-for-trading upon initial recognition. Such investments are measured at fair value with changes in fair value being recognised in the income statement.

The Group considers that the equity or proportionate consolidation methods for investments held by the Group produce information that is not relevant to the management and shareholders. The business of our respective investee companies is different in nature to that of ours and it is not our strategy to hold the interest of these investments on a perpetual basis. Therefore, the Goup considers that the fair value measurement produces more relevant information to us. Moreover, the level of ownership in our investments will have frequent changes. So the financial statements of the portfolio companies are less useful than the fair value from the point of view of the management, shareholders and investors.

Valuation of unquoted investments

In estimating the fair value for an investment, the Group applies a methodology that is appropriate in light of the nature, facts and circumstances of the investment and its materiality in the context of the total investment portfolio using reasonable data, market inputs, assumptions and estimates. Any changes in the above data, market inputs, assumptions and estimates will affect the fair value of an investment which may lead to a recognisation of impairment loss in the statements of comprehensive income if an indication of impairment exists.

The Group adopted price of recent investment methodology prescribed in the IPEVCV guidelines to value its investments at fair value through profit and loss. Applying the methodology, the Group has used the purchase consideration paid by third parties in the acquisition of new shares in Fortel as the basis to estimate the fair value of the investment in Fortel.

If there was no independent liquidation or investment event around the end of the year, the Group would then appoint an independent professional qualified valuer to estimate the value of the investment. It would be expected that valuation methods such as Discounted Cash Flow Method would be adopted in which future revenue projection with solid assumptions, capital expenditure forecast, proper discount rate and other relevant information would be used in the model.

3. GROSS PORTFOLIO RETURN

	Group		Company	
	2010 US$'000	2009 US$'000	2010 US$'000	2009 US$'000
Change in fair value of investment	**2,869**	4,813	**–**	–

4. SEGMENT INFORMATION

The operating segment has been determined and reviewed by the senior management and executive Board members to be used to make strategic decisions. The senior management and executive Board members consider there to be a single business segment, being that of investing activity, therefore only one reportable segment.

The reportable operating segment derives its revenue primarily from the non-current investment in Fortel Technology Holdings Limited ("Fortel"), debt investment in several companies and quoted investments.

The senior management and executive Board members assess the performance of the operating segments based on a measure of adjusted Earnings Before Interest, Taxes, Depreciation and Amortisation ("EBITDA"). This measurement basis excludes the effects of non-recurring expenditure from the operating segments such as restructuring costs. The measure also excludes the effects of equity-settled share-based payments and unrealised gains/losses on financial instruments.

The segment information provided to the senior management and executive Board members for the reportable segments for the year ended 31 December 2010 is as follows:

Revenue attributed by reference to each company's country of domicile:

	BVI	**Hong Kong**	**The People's Republic of China**
	US$'000	US$'000	US$'000
Total segment gross portfolio return	2,869	–	–
Total financial income	139	1	–
Non-current assets attributed by reference to their location			
Non-current assets	–	26,734	2,000
Additions to non-current assets	–	7	2,000

The segment information provided to the senior management and executive Board members for the reportable segments for the year ended 31 December 2009 is as follows:

	BVI	**Hong Kong**	**The People's Republic of China**
	US$'000	US$'000	US$'000
Total segment gross portfolio return	4,813	–	–
Total financial income	131	10	–
Non-current assets	–	23,920	–
Additions to non-current assets	–	–	–

IFRS 8 has been amended so that a measure of segment assets is only required to be disclosed if the measure is regularly provided to the chief operating decision maker. The amendment is effective for periods beginning on or after 1 January 2010.

The amounts provided to the senior management and executive Board members with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the strategic operations of the segment.

The amounts provided to the senior management and executive Board members with respect to total liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the strategic operations of the segment.

5. OPERATING GAIN/(LOSS)

Operating gain/(loss) is stated after charging:

	Group		Company	
	2010 US$'000	2009 US$'000	2010 US$'000	2009 US$'000
Depreciation	**1**	1	**1**	1
Fees payable to the Group's auditor for audit of the Company	**28**	30	**28**	30
Operating lease rentals – land on buildings	**43**	–	**7**	–

6. FINANCE INCOME

	Group		Company	
	2010 US$'000	2009 US$'000	2010 US$'000	2009 US$'000
Interest from bank and other loans	**138**	55	**138**	55
Gain on disposal of quoted securities	**1**	10	**–**	–
Gain on foreign exchange	**1**	76	**1**	76
	140	141	**139**	131

7. OTHER INCOME

	Company	
	2010 US$'000	2009 US$'000
Management recharges to subsidiaries	**–**	821

8. DIRECTORS' REMUNERATION

	Group		Company	
	2010 US$	2009 US$	2010 US$	2009 US$
Short term employment benefits				
Patrick Macdougall	**77,121**	74,420	**77,121**	74,420
Duncan Chui	**154,242**	154,639	**–**	–
Wong Yiu Kit	**169,666**	170,103	**–**	–
John Croft	**46,272**	59,536	**46,272**	59,536
Hanson Cheah	**38,560**	38,660	**–**	–
Chau Vinh Heng	**30,848**	6,402	**–**	–
	516,709	503,760	**123,393**	133,956
Share based payment				
Chau Vinh Heng	**–**	637,295	**–**	–
Total	**516,709**	1,141,055	**123,393**	133,956

There was no pension cost incurred.

Director's benefit-in-kind of US$43,188 (2009: US$7,216) was included in directors' remuneration.

During the year ended 31 December 2009, a total of 871,150 share options exercisable at US$1.80 were granted to Chau Vinh Heng. The options have not been exercised. None of the other directors held any options.

9. TAXATION

No charge to taxation arises in the years ended 31 December 2009 and 2010 as there were no taxable profits in either year. The Company and one of its subsidiaries, CPE TMT Holdings Limited, are both located in a tax-free jurisdiction, the BVI, and therefore are neither subject to current or deferred income tax.

Tax reconciliation:

	Group	
	2010 US$'000	2009 US$'000
Profit before taxation	**1,953**	2,532
Effective tax charge at 16.5% (2009: 16.5%)	**322**	418
Effect of:		
Differences in overseas taxation rates	**(322)**	(628)
Tax effect of unrecognised deferred tax asset	**–**	210
Effective tax rate	**–**	–

As at 31 December 2010, the Group has available unused tax losses of US$210,000 (2009: US$210,000) available for offset against future profits.

No related deferred tax asset has been recognised on the losses due to the unpredictability of future profit streams. Losses may be carried forward indefinitely and may be recoverable if relevant taxable profit arises in future periods.

10. FIXTURES, FITTINGS AND EQUIPMENT

10.1 Group

	Fixtures, fittings and equipment US$'000
Cost:	
At 1 January 2009	3
Additions	–
At 31 December 2009 and 1 January 2010	3
Exchange adjustment	1
Additions	7
At 31 December 2010	11
Depreciation:	
At 1 January 2009	1
Charge for year	1
At 31 December 2009 and 1 January 2010	2
Charge for the year	1
At 31 December 2010	3
Net book value:	
At 31 December 2010	8
At 31 December 2009	1

10.2 Company

	Fixtures, fittings and equipment US$'000
Cost:	
At 1 January 2009	3
Additions	–
At 31 December 2009 and 1 January 2010	3
Effect of foreign exchange	1
Additions	7
At 31 December 2010	11
Depreciation:	
At 1 January 2009	1
Charge for year	1
At 31 December 2009 and 1 January 2010	2
Charge for the year	1
At 31 December 2010	3
Net book value:	
At 31 December 2010	8
At 31 December 2009	1

11. INVESTMENT AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group 2010 US$'000
Balance as at 1 January 2009	19,122
Fair value through profit and loss	4,813
Effect of foreign exchange	(24)
Balance as at 31 December 2009 and 1 January 2010	23,911
Fair value through profit and loss	2,869
Additions	2,000
Effect of foreign exchange	(62)
Balance as at 31 December 2010	28,718

On 8 September 2008, the Group through CPE TMT Holdings Limited acquired 38% of the issued share capital of Fortel Technology Holdings Limited ("Fortel"). This has been accounted for as an investment as it is to be held as part of an investment portfolio. The Group will dispose of the shareholding upon approval by the investment committee who monitors the investment/divestment decision on an ongoing basis.

The Group adopted price of recent investment methodology prescribed in the IPEVCV guidelines to value its investments at fair value through profit and loss. Applying the methodology, the Group has used the purchase consideration paid by third parties in the acquisition of new shares in Fortel as the basis to estimate the fair value of the investment in Fortel. There has been no further transaction occurring since the sale of Fortel shares, which occurred on 30 December 2010, which is in the opinion of the directors to provide evidence for the year end valuation.

As at 31 December 2010, based on the price of recent investments in Fortel, the Group's investment has increased from US$23.9 million to US$26.7 million.

During the year ended 31 December 2010, the Company entered into a subscription agreement with China iEducation Holdings Limited ("iEducation") to subscribe its guaranteed convertible note (the "Note") at a consideration of US$2,000,000. The major shareholder of iEducation is the guarantor of the Note. As the directors are not aware of any adverse elements that would materially affect the value of the Note, they consider the original cost is an appropriate valuation as at 31 December 2010.

12. DEPOSIT

	2010 US$'000	2009 US$'000
Rental deposit	**8**	8

13. INVESTMENT IN SUBSIDIARIES

	2010 US$'000	2009 US$'000
Investment in subsidiaries at cost	**1**	1
Amount due from subsidiaries	**21,433**	21,188
	21,434	21,189

The subsidiaries of the Company are as follows:

Name of Company	Place of Incorporation	Percentage owned 2010	2009	Principal activities
CPE TMT Holdings Limited	BVI	**100%**	100%	Investment for TMT deals
China Private Equity Investment Group Limited	Hong Kong	**100%**	100%	Financial investments in Hong Kong

Amount due from subsidiaries are unsecured, interest free and have no fixed term of repayment.

14. LOANS AND OTHER RECEIVABLES

14.1 Group

	2010 US$'000	2009 US$'000
Other receivables	**45**	849
Prepayments and accrued income	**–**	4
Amount due from Fortel	**–**	258
	45	1,111

14.2 Company

	2010 US$'000	2009 US$'000
Other receivables	**45**	849
Amount due from Fortel	**–**	258
	45	1,107

As at 31 December 2009, other receivables represent loans made to Orbrich Group Limited ("Orbrich"), IIN Network Education (BVI) Ltd ("IIN") and UCCTV Holdings Limited ("UCCTV"). The amount due from Orbrich is interest bearing at 8% per annum and repayable on demand. The amount due from IIN and UCCTV are fully guaranteed by the major shareholders of UCCTV, interest bearing at 5% per annum and repayable on demand.

As at 31 December 2010, other receivables represent interest receivable from Orbrich, IIN an UCCTV. Loans made to the above companies were fully repaid during the year.

Amount due from Fortel represents loans made to Fortel and the amount due is interest bearing at 5% per annum, repayable on demand and fully repaid during the year.

Other receivables of the Group and Company have been reviewed and are considered not to be impaired and all amounts held are considered to be fully recoverable in value terms to the Group and Company respects.

15. QUOTED FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

	Group	
	2010	2009
	US$'000	US$'000
Quoted investment – at market value		
Balance at 1 January	**860**	–
Currency translation difference	**(2)**	–
Additions	**–**	1,237
Gain on disposal during the year	**1**	10
Amounts realized during the year	**(180)**	(387)
Reclassified to cash and cash equivalents	**(679)**	–
Balance at 31 December	**0**	860

16 OTHER PAYABLES

16.1 Group

	2010	2009
	US$'000	US$'000
Trade payables	**38**	65
Amount due to directors	**252**	81
Accruals	**18**	30
	308	176

16.2 Company

	2010	2009
	US$'000	US$'000
Trade payables	**32**	65
Amount due to directors	**10**	–
Accruals	**15**	30
	57	95

Amount due to directors are unsecured, interest free and has no fixed terms of repayment.

17. SHAREHOLDER'S LOAN

	Group and Company	
	2010	2009
	US$'000	US$'000
Shareholder's loan	**14**	9

Shareholder's loan is an amount due to Imperia Capital International Holdings Limited and is unsecured, interest free and payable on demand.

18. SHARE CAPITAL

	Number of Shares	Amount US$'000
Authorised, called-up and fully paid ordinary shares of no par value at 1 January 2009	9,873,034	20,347
Ordinary shares issued on 30 June 2009	33,175	–
Ordinary shares issued on 19 October 2009 for directors	72,942	–
Ordinary shares issued on 19 October 2009	2,777,778	5,000
Issue costs	–	(874)
Exchange difference	–	99
Authorised, called-up and fully paid ordinary shares of no par value each at 31 December 2009 and 1 January 2010	12,756,929	24,572
Bonus issue on 4 June 2010	51,027,716	–
Authorised, called-up and fully paid ordinary shares of no par value each at 31 December 2010	63,784,645	24,572

Pursuant to the specific mandate obtained from shareholders to issue new ordinary shares by way of a bonus issue of 51,027,716 new ordinary shares of no par value on a general meeting held on 3 June 2010, 51,027,716 new ordinary shares of no par value were issued by the Company to its shareholders on 4 June 2010.

On 30 June 2009, owing to the fact that the 2009 Pre-IPO subscribers agreed to terminate their 2008 subscription agreement and subsequently signed a 2009 Pre-IPO subscription agreement, 33,175 shares were issued to them due to the change in the subscription prices.

On 19 October 2009, 2,777,778 shares were issued at US$1.80 each as part of the Company's listing onto AIM. The net proceeds generated from the issue was US$4,225,000. On 19 October 2009, 72,942 shares were issued to directors as part of their remuneration.

As at 31 December 2010, the Company was authorised to issue up to a maximum of 100,000,000 ordinary shares of a single class without par value.

The Company was registered in the BVI under the BVI Business Companies Act 2004. Under the BVI laws and registration, there is no concept of "share premium", and all proceeds from the sale of no par value equity shares is deemed to be share capital of the Company.

19. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

Management has adopted certain policies on financial risk management with the objective of:

(i) ensuring that appropriate funding strategies are adopted to meet the Company's and Group's short-term and long-term funding requirements taking into consideration the cost of funding, gearing levels and cash flow projections;

(ii) ensuring that appropriate strategies are also adopted to manage related interest and currency risk funding; and

(iii) ensuring that credit risks on receivables are properly managed.

Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below:

Loans and receivables

	Group		Company	
	2010 US$'000	2009 US$'000	2010 US$'000	2009 US$'000
Non-financial instruments	**8**	12	**–**	–
Loans and other receivables	**45**	1,107	**45**	1,107
Cash and cash equivalents	**851**	1,717	**147**	1,691
	904	2,836	**192**	2,798

Other financial liabilities

	Group		Company	
	2010 US$'000	2009 US$'000	2010 US$'000	2009 US$'000
Non-financial instruments	**15**	30	**15**	30
Loans and other payables	**293**	146	**42**	65
Shareholder's loan	**14**	9	**14**	9
	322	185	**71**	104

Financial assets at fair value through profit or loss

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 2 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly or indirectly; and

	Group	
	2010 US$'000	2009 US$'000
Level 1		
Quoted financial assets at fair value through profit or loss	**–**	860
Level 2		
Investment at fair value through profit or loss	**28,718**	23,911
	28,718	24,771

Carrying values of all financial assets and liabilities approximate to fair values.

Credit risk

The Company's and the Group's credit risk is primarily attributable to other receivables. Management has a credit policy in place and the exposure to credit risks is monitored on an ongoing basis.

In respect of other receivables, individual credit evaluations are performed whenever necessary. The other receivables included above were not due at the year end. None of the loans and receivables was impaired in the current or prior year.

The Company's and the Group's maximum exposure to credit risk is represented by the total financial assets held by the Company and the Group.

Interest rate risks

The Company and the Group currently operates with positive cash and cash equivalents as a result of issuing share capital in anticipation of future funding requirements. As the Group has no borrowings from the bank and the amount of deposits in the bank are not significant, the exposure to interest rate risk is not significant to the Company and the Group. The effect of a 10% increase or fall in interest rates obtainable on cash and on short-term deposits would be to increase or decrease the Group's profit by US$17,000 (2009: US$171,000).

Other receivables bear interest at a fixed annual rate, therefore there is no exposure to market interest rate risk on these financial asset.

Liquidity risk

The Company and the Group manages its liquidity requirements by the use of both short-term and long-term cash flow forecasts. The Company's and the Group's policy to ensure facilities are available as required is to issue equity share capital in accordance with long-term cash flow forecasts.

The Group's financial liabilities are primarily account payables and operational costs. All amounts are due for payment in accordance with agreed settlement terms with vendors or professional firms, and all are due within one year. The shareholder's loan is interest free and repayable on demand.

Price risks

The Group's securities are susceptible to price risk arising from uncertainties about future values of the investment securities. This price risk is the risk that the fair value or future cash flows will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual investment or financial instrument or its holder or factors affecting all similar financial instruments or investments traded in the market. The Group's investment committee provides the Board of Directors with investment recommendations that are consistent with the Group's objectives. The investment committee recommendations are carefully reviewed by the Board of Directors before the investment decisions are implemented.

During the year under review, the Group did not hedge against movements in the value of its investments. A 10% increase/decrease in the fair value of investments would result in US$2,872,000 (2009: US$4,153,000) increase/ decrease in the net asset value.

While investments in companies whose business operations are based in China may offer the opportunity for significant capital gains, such investments also involve a degree of business and financial risk, in particularly for unquoted investment.

Generally, the Group prepares to hold the unquoted investments for middle to long time frame, in particularly if an admission to trading on a stock exchange has not yet been ready. Sales of securities in unquoted investments may result in discount to the book value.

Currency risks

Since the Company and the Group operate primarily within its local currency with little exposure to currency fluctuations, management considers that foreign currency exposure is not significant to the Group and as such, there is no hedging in the foreign currencies. As the HK Dollar is linked to the US Dollar, there is no significant exchange risk.

Capital management

The Company's and the Group's financial strategy is to utilise its resources to further grow the Group's portfolio. The Group keeps investors and the market informed of its progress with its portfolio through regular announcements and raises additional equity finance at appropriate times.

The Company and the Group regularly reviews and manages its capital structure for the portfolio companies to maintain a balance between the higher shareholder returns that might be possible with certain levels of borrowings for the portfolio and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure of the portfolio in the light of changes in economic conditions.

The capital structure of the Company and the Group consists of borrowings disclosed in Note 18, cash and cash equivalents and equity comprising issued capital and reserves.

20. SHARE BASED PAYMENTS

The Group has an ownership-based compensation scheme for senior executives of the Group. In accordance with the provisions of the plan, senior executives may be granted options to purchase ordinary shares. Each share option converts into one ordinary share of China Private Equity Investment Holdings Limited on exercise. No amounts are paid or payable by the recipient of the options. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

During the year ended 31 December 2009, a total of 871,150 share options exercisable at US$1.80 were granted to one of the directors of the Company. Please refer to note 8 for details. During the year ended 31 December 2010, as a result of a bonus issue on 4 June 2010, number of share options granted was increased by 3,484,600 and its exercise price was adjusted to US$0.36 according to the terms of share options granted.

Furthermore, the Company issued 1,026,789 options to subscribe for ordinary shares in the Company during the year ended 31 December 2009 in respect of services provided to the Group. 1,020,554 of these options are exercisable at US$1.80 and the remaining 6,235 are exercisable at US$1.40. The options may be exercised at any time from the date of vesting to the date of their expiry.

	2010		2009	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance at beginning of the financial year	**1,897,939**	**1.80**	–	–
Granted during the year	**–**	**–**	1,891,704	1.80
Granted during the year	**–**	**–**	6,235	1.40
Effect of bonus issue on 4 June 2010	**3,484,600**	**0.36**	–	–
Forfeited during the financial year	**–**	**–**	–	–
Exercised during the financial year	**–**	**–**	–	–
Expired during the financial year	**–**	**–**	–	–
Balance at end of financial year	**5,382,539**	**0.63**	1,897,939	1.80
Exercisable at end of the financial year	**5,382,539**	**0.63**	1,897,939	1.80

21. RELATED PARTY TRANSACTIONS

During the year, the Company and the Group entered into the following transactions with related parties and connected parties:

	Notes	2010 US$'000	2009 US$'000
Imperia Capital International Holdings Limited			
Amount due to	(i)	**14**	9
UCCTV Holdings Limited			
Amount due from	(ii)	**2**	517
Patrick Macdougall and John Croft	(iii)	**–**	31
Amount due to directors	(iv)		
– Duncan Chui		**71**	19
– Hanson Cheah		**35**	56
– Chau Vinh Heng		**12**	6
– Yiu Kit Wong		**127**	–
– John Croft		**4**	–
– Patrick Macdougall		**6**	–

(i) As at 31 December 2010 and 2009, the Group owed approximately US$14,400 (2009: US$8,600) to Imperia Capital International Holdings Limited ("Imperia"), a shareholder of the Company. The loan is repayable on demand and does not bear interest.

(ii) Duncan Chui was the director of UCCTV Holdings Limited ("UCCTV") as at 31 December 2010 and 2009. The amount due is fully guaranteed by the major shareholder of UCCTV, interest bearing at 5% per annum and repayable on demand.

(iii) Shares issued to Patrick Macdougall and John Croft, both directors of the Company, in lieu of cash for their remuneration.

(iv) All key management personnel are directors and appropriate disclosure with respect to them is made in note 8 of the financial statements. There are no other contracts of significance in which any director has or had during the year a material interest.

22. EARNINGS PER SHARE – CONTINUING OPERATIONS

The calculation of the basic and diluted loss per share attributable to the ordinary equity holders of the Group is based on the following:

		2010 '000	2009 '000
Numerator			
Basic/Diluted:	Net Profit	**US$1,953**	US$2,532
Denominator			
Basic:	Weighted average shares	**12,757**	10,460
	Effect of bonus issue on 4 June 2010	**51,028**	51,028
		63,785	61,488
	Effect of diluted securities:		
	Share options	**1,718**	178
Diluted:	Adjusted weighted average shares	**65,503**	61,666

23. SUBSEQUENT EVENT

Per the announcement of the Company dated 18 March 2011, the Company had entered into an agreement with Furuya Consultants Limited ("FCL") to acquire a 30% interest in Hong Kong-based Enfinium International Holdings Limited ("Enfinium"), a leading online financial services business, for a total consideration of US$6 million. CPE had paid for the acquisition by way of issuing 10 million new CPE ordinary shares of no par value to FCL at a price of US$0.60 per share. Please refer to the announcements for the details of the transaction.

In April 2011 CPE completed a sale-back to Fortel of 5,503 shares, representing 3.5% of Fortel's share capital. The sale valued Fortel at US$72 million, and raised US$3.8 million for the Company.